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West Africa Cotton Price and Policy Update

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Report Highlights:

This report is an update of report SG9006 released in May. This report includes information on newly announced seed cotton prices and input subsidies for the 2009/10 season. In an effort to reinvigorate the ailing cotton sector, governments across the region announced initiatives and commitments to subsidize inputs. While final production estimates for the 2008/09 campaign are reported for most countries, the status of exports remains unclear amid a number of export contract disputes.

General Information:

West African Price and Policy Update

Overview:

This report is an update of report SG9006 released in May. This report includes information on newly announced seed cotton prices and input prices for the 2009/10 season. These prices provide a barometer for the health of the sector and set the tone for producer incentives. As previously reported, cotton sector debts and late farmer payments are likely to continue to weigh negatively on farmer incentives. These debts affect both private and public ginning companies. To overcome this effect and to help sustain the sector, many governments have announced various input subsidies and other

initiatives. Multi-lateral and bilateral donor support varies in scope and effectiveness from country to country. The relatively strong CFA against the dollar remains a major disadvantage to the sector. The 2009/10 official target area and production estimates for each country (not reported here) remain quite ambitious. The only production changes reflected in this report are a reduction in Benin's 2008/09 cotton production from 460,000 bales to 405,000 bales, and a slight increase in 2008/09 production in Cote d'Ivoire.

For more information on the history and structure of the cotton sector in West Africa, please see previous reports, including [SG7011](#), [SG7020](#), [SG8001](#), [SG8012](#) and [SG8020](#).

West African Cotton Production (1,000 480lb bales):

	2007/08 USDA Official Production (1,000 480lb bales)	2008/09 USDA Official Production (1,000 480lb bales)	2009/10 Area (1,000 hectares)	Preliminary Forecast 2009/10 Production (1,000 480lb bales)	Official 2008/09 Farm Gate Price for First Quality	Official 2009/10 Farm Gate Price for First Quality
Mali	450	385	110	300	200	170
Burkina Faso	675	850	450	875	165	160
Benin	500	405*	180	450	190	190
Chad	190	190	170	150	-	190
Cote d'Ivoire	225	240*	150	175	-	175
Senegal	88	95	40	75	185	185 (f)
West Africa Total	2,128	2,165		2,025		

*Post Estimates

Mali

Mali's final seed cotton production estimate for the 2008/09 campaign is 201,450 tons. Mali priced and sold much of this cotton before the steep decline in cotton prices in the spring of 2008, and buyers have since defaulted on a significant amount of contracts. Approximately half of Mali's exportable fiber is reported to be under renegotiation or litigation. This has compounded the financial difficulties of the state run cotton company CMDT - as of the end of May CMDT still owed producers over 27 million USD for the 2008/09 campaign. The consecutive decline in production over the past four years has increased the marginal cost of fiber production, and subsequently the debts of CMDT. For example, while the world fiber price was approximately 575 FCFA/kg at the end of April, CMDT's production costs are estimated at nearly 1,000 FCFA/kg. The accumulated debts of CMDT – owed to farmers, banks, transporters, suppliers and their own employees – are not trivial, and may approach 150 million USD.

Despite the announcement of a relatively high preseason seed cotton price of 170 FCFA/kg (first quality), Mali's cotton area and production in 2009/10 is expected to decline for the fifth consecutive year. Farmer incentives will remain dampened by high input prices and late payments for the previous campaign. Meanwhile, the government has announced a subsidy to cover about 30 percent of the cost of NPK fertilizer in the hopes of encouraging producers. While the CMDT privatization is still planned for the current year, progress and commitment towards the requisite steps needed to split the company into four separate entities remains quite uncertain.

Burkina Faso

Burkina Faso's final seed cotton production estimate for the 2008/09 campaign is 446,500 MT of which 384,500 MT

was produced by SOFITEX, the majority state-owned ginning company. After providing a fertilizer subsidy of 6.5 billion CFA for the 2008/09 campaign, Burkina Faso announced that it will provide an additional 7.12 billion CFA (USD 15.5 million) for the 2009/10 campaign. The 2009/10 seed cotton price for first quality is announced at 160 FCFA/kg. It is also reported that the government of Burkina Faso will provide an additional 4.4 billion CFA (USD 9.8 million) to help settle the internal debts of farmer producer associations. These are debts that individual farmers (who failed to grow enough cotton to cover their input credits) owe to other farmers within their producer groups. After growing 8,500 hectares of BT cotton in 2008/09, press reports indicate that area under BT cultivation could surpass 100,000 ha in 2009/10.

Benin

Benin's final seed cotton production estimate for the 2008/09 campaign is 210,600 metric tons, which translates to approximately 405,400 bales, down from the previous estimate of 460,000 bales. The decline is due to poor rainfall in some areas, flooding in others, and losses due to resurgent pest problems.

The government of Benin recently announced a three-year, 18.5 million USD program to revive the cotton sector. The broad objectives of the program are to support the cotton producer organizations (through mechanization and production best practices) to increase cotton production and capacity utilization of Benin's ginning sector. The realities of 2009/10 are that Benin may only be able to afford short-term measures as opposed to longer term reform and investments that are needed. After announcing the program, Benin announced what would be the highest pre-season seed cotton prices in the region at 190 FCFA/kg. The Benin Interprofessional Cotton Association also announced that the government would provide an input subsidy of over 24 million USD. As a result of these measures, Benin aspires to nearly double its seed cotton production to reach 400,000 MT.

Chad

While the government increased funding for research and extension in 2008, the future of the sector remains uncertain in the absence of reform of the cotton company Coton Tchad and much needed capital investments. Compared to other regional cotton producers, farmers have very limited access to inputs and needed training. As a result, yields remain extremely low. Farmer incentives will depend on whether or not they get paid for the 2008 crop. Assuming the annual delays and low world fiber prices, area is expected to slip further.

Cote d'Ivoire

Cote d'Ivoire is reported to have produced 140,000 MT of seed cotton in 2008/09 of which approximately 123,000 was reported to have been ginned by mid April. This translates to approximately 240,000 bales, which is an increase of the previous forecast of 225,000 MT. Public and private sector actors in Cote d'Ivoire have undertaken a series of interprofessional meetings to work to resolve structural problems in the cotton sector which have been compounded by the recent civil war and ongoing political uncertainties. While there is significant potential, low world prices and lack of access to inputs suggest that 2009/10 may not be the year of recovery.

Senegal

Senegal has produced between 90,000 and 100,000 bales of cotton for the past six years, making it the most consistent (albeit small) producer in the region of high quality fiber. This is expected to continue in 2009/10.

West Africa PSD Tables:

Cotton Benin	2007			2008			2009	
	2007/2008			2008/2009			2009/2010	
	Market Year Begin: Aug 2007			Market Year Begin: Aug 2008			Market Year Begin: Aug 2009	
	USDA Official Data	Old Post		USDA Official Data	Old Post		USDA Official Data	Jun
			Data			Data		Data
Area Planted	0	0	0	0	0	0	0	
Area Harvested	234	234	234	205	205	180	180	200
Beginning Stocks	148	148	148	138	88	88	163	83
Production	500	500	500	460	460	405	450	450

Imports	0	0	0	0	0	0	0	
MY Imports from U.S.	0	0	0	0	0	0	0	
Total Supply	648	648	648	598	548	493	613	533
Exports	500	550	550	425	500	400	450	450
Use	10	10	10	10	10	10	10	10
Loss	0	0	0	0	0	0	0	
Total Dom. Cons.	10	10	10	10	10	10	10	10
Ending Stocks	138	88	88	163	38	83	153	73
Total Distribution	648	648	648	598	548	493	613	533
Stock to Use %	27	16	16	37	7	20	33	16
Yield	465.	465.	465.	489.	489.	490.	544.	490.
TS=TD			0			0		0

All data 1,000 480 lb bales

Cotton Burkina	2007			2008			2009	
	2007/2008			2008/2009			2009/2010	
	Market Year Begin: Aug 2007			Market Year Begin: Jun 2008			Market Year Begin: Jun 2009	
	USDA Official Data	Old Post		USDA Official Data	Old Post		USDA Official Data	Jun
			Data			Data		Data
Area Planted	0	0		0	0		0	
Area Harvested	400	400		440	440		450	
Beginning Stocks	306	306		202	102		248	
Production	675	675		850	850		875	
Imports	0	0		0	0		0	
MY Imports from U.S.	0	0		0	0		0	
Total Supply	981	981		1,052	952		1,123	
Exports	775	875		800	900		850	
Use	4	4		4	4		4	
Loss	0	0		0	0		0	
Total Dom. Cons.	4	4		4	4		4	
Ending Stocks	202	102		248	48		269	
Total Distribution	981	981		1,052	952		1,123	
Stock to Use %	26	12		31	5		31	
Yield	367.	367.		421.	421.		423.	

All data 1,000 480 lb bales

Cotton Mali	2007			2008			2009	
	2007/2008			2008/2009			2009/2010	
	Market Year Begin: Aug 2007			Market Year Begin: Jun 2008			Market Year Begin: Jun 2009	
	USDA Official Data	Old Post		USDA Official Data	Old Post		USDA Official Data	Jun
			Data			Data		Data
Area Planted	0	0	0	0	0	0	0	0
Area Harvested	284	284	284	190	207	207	125	110
Beginning Stocks	190	190	190	117	67	117	117	179
Production	450	450	450	350	350	385	300	300
Imports	0	0	0	0	0	0	0	0
MY Imports from	0	0	0	0	0	0	0	0

U.S.								
Total Supply	640	640	640	467	417	502	417	479
Exports	500	550	500	325	300	300	300	300
Use	23	23	23	25	23	23	25	25
Loss	0	0	0	0	0	0	0	0
Total Dom. Cons.	23	23	23	25	23	23	25	25
Ending Stocks	117	67	117	117	94	179	92	154
Total Distribution	640	640	640	467	417	502	417	479
Stock to Use %	22	12	22	33	29	55	28	47
Yield	345.	345.	345.	401.	368.	405.	523.	594.

All data 1,000 480 lb bales

Cotton Cote d'Ivoire	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Aug 2007		Market Year Begin: Jun 2008		Market Year Begin: Jun 2009	
	USDA Official Data	Old Post	USDA Official Data	Old Post	USDA Official Data	Jun
	Data	Data	Data	Data	Data	Data
Area Planted	0		0	0	0	0
Area Harvested	200		190	140	150	150
Beginning Stocks	223		173	0	153	40
Production	225		225	240	175	250
Imports	0		0	0	0	0
MY Imports from U.S.	0		0	0	0	0
Total Supply	448		398	240	328	290
Exports	225		200	150	150	155
Use	50		45	50	45	50
Loss	0		0	0	0	0
Total Dom. Cons.	50		45	50	45	50
Ending Stocks	173		153	40	133	85
Total Distribution	448		398	240	328	290
Stock to Use %	63		62	20	68	41
Yield	245.		258.	373.	254.	363.

All data 1,000 480 lb bales

Cotton Chad	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Aug 2006		Market Year Begin: Jun 2008		Market Year Begin: Jun 2009	
	USDA Official Data	Old Post	USDA Official Data	Old Post	USDA Official Data	Jun
	Data	Data	Data	Data	Data	Data
Area Planted	0	0	0	0	0	0
Area Harvested	180	180	0	180	175	170
Beginning Stocks	63	63	63	23	98	33
Production	190	190	190	200	190	150
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	253	253	253	213	273	183

Exports	175	215	215	150	165	165	175	150
Use	15	15	15	15	15	15	15	15
Loss	0	0	0	0	0	0	0	0
Total Dom. Cons.	15	15	15	15	15	15	15	15
Ending Stocks	63	23	23	98	33	33	83	18
Total Distribution	253	253	253	263	213	213	273	183
Stock to Use %	33	10	10	59	18	18	44	11
Yield	230.	230.	0.	242.	236.	236.	224.	192.

All data 1,000 480 lb bales

Cotton Senegal	2007			2008			2009	
	2007/2008			2008/2009			2009/2010	
	Market Year Begin: Aug 2007			Market Year Begin: Aug 2008			Market Year Begin: Aug 2009	
	USDA Official Data	Old Post		USDA Official Data	Old Post		USDA Official Data	Jun
		Data			Data			Data
Area Planted	0	0	0	0	0	0	0	0
Area Harvested	44	43	43	45	45	46	40	40
Beginning Stocks	41	41	41	34	34	34	34	34
Production	88	88	88	95	95	95	75	75
Imports	0	0	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0	0	0
Total Supply	129	129	129	129	129	129	109	109
Exports	75	75	75	75	90	90	60	85
Use	20	20	20	20	0	5	20	5
Loss	0	0	0	0	0	0	0	0
Total Dom. Cons.	20	20	20	20	0	5	20	5
Ending Stocks	34	34	34	34	39	34	29	19
Total Distribution	129	129	129	129	129	129	109	109
Stock to Use %	36	36	36	36	43	36	36	21
Yield	435.	446.	446.	460.	460.	450.	408.	408.

All data 1,000 480 lb bales